NYNEX COSTS FOR BPP

Attached hereto (Attachment C-1) is NYNEX's revised costs for providing BPP.

Non-recurring Costs

In an ex parte to the Commission dated April 28, 1994, NYNEX updated its non-recurring costs to implement BPP. These costs are $163.1M. In its FNPRM, the Commission reduced NYNEX's non-recurring costs to $129.4M to delete some of the costs for advancing an analog switch replacement schedule. However, in the FNPRM, the Commission failed to bring the 1998 analog switch replacements back to 1997 and instead left them for replacement in 1995. Interest charges should be reduced by $12M, resulting in total BPP non-recurring costs to NYNEX of $117.4M. However, based on new cost estimates from Bellcore, software costs for the SCP and DBAS-II systems have increased by $3 million from $109,000 to $3.1 million. Thus, NYNEX's non-recurring costs are $120.4 million.

Recurring Costs

In calculating recurring costs of additional operators, NYNEX used the fully-loaded starting salaries for operators. A fully-loaded average operator's salary should have been used in this determination because operators typically reach the top of their pay scale within 3 years and remain there until they leave the company. Based on 1994 salary data, the costs of additional operators would amount to $20.7M. In 1997, the average salary including benefits for operators is expected to be $46,100. When this figure is multiplied by the 502 operators needed by NYNEX for BPP implementation, the resulting recurring cost for operators' salaries attributable to BPP increases to $23.1M.

ATTACHMENT C - 1

BILLED PARTY PREFERENCE COST STUDY
DIRECT COSTS & OVERHEADS

	ONE TIME EXPENSES	ALL O+&O-
L1	TOPS SWITCH UPGRADES	$6,320,000
L2	SERVICE ORDER SYSTEM MODIFICATION	$1,150,000
L3	BILL INSERT	$2,668,872
L4	BILL INSERT ADMINISTRATION	$1,431,128
L5	TRUNK REARRANGES	$886,000
L6	LIDB SOFTWARE UPGRADE	$3,100,000
L7	OPERATOR TRAINING	$385,913
L8	OSS7 END OFFICE IMPLEMENTATION	$48,526,000
L9	ADDITIONAL BUSINESS OFFICE COSTS	$1,820,000
L10	ACCELERATED ANALOG SWITCH REPLACEMENT 1997 VS. 1998	$5,035,000
TOTAL ONE TIME EXPENSES TO BE AMORTIZED		$71,322,913

	CAPITAL INVESTMENTS	ALL O+&O-
L1	OPERATOR EQUIPMENT	$2,668,087
L2	TWO ADDITIONAL TOPS SWITCHES	$19,432,000
L3	LIDB COMPUTER HARDWARE	$2,400,000
L4	TRUNK TERMINATIONS	$12,319,000
L5	FACILITY	$6,400,000
L6	TOPS SWITCH UPGRADE	$1,580,000
L8	DMS 10 UPGRADE FOR OSS7	$4,320,000
L9	TOTAL INVESTMENTS (SUM OF L1 THROUGH L8)	$49,119,087
	TOTAL ONE TIME EXPENSES	$71,322,913
	TOTAL CAPITAL & EXPENSE	$120,442,000

BILLED PARTY PREFERENCE COST STUDY
DIRECT & OVERHEAD COSTS

	ANNUAL INVESTMENT RELATED COSTS	DIRECT COSTS	DIRECT & OVERHEAD COSTS
		ALL O+&O-	ALL O+&O-
L1	OPERATOR EQUIPMENT	$765,047	$1,047,614
L2	TWO ADDITIONAL TOPS SWITCHES	$5,571,932	$7,629,897
L3	LIDB COMPUTER HARDWARE	$688,176	$942,350
L4	TRUNK TERMINATIONS	$3,476,336	$4,812,812
L5	FACILITY	$1,769,850	$2,450,266
L6	TOPS SWITCH UPGRADE	$453,049	$620,381
L7	DMS 10 UPGRADE FOR OSS7	$1,238,717	$1,696,231
L8	TOTAL ANNUAL INVESTMENT RELATED COSTS (SUM OF L1 THROUGH L7)	$13,963,106	$19,199,550

	DIRECT COSTS	DIRECT & OVERHEAD COSTS
	ALL O+&O-	ALL O+&O-
ANNUAL COSTS		
L1 ANNUAL AMORTIZATION EXPENSE (5 YR. RECOVERY)	$14,264,583	$14,264,583
L2 ANNUAL EARNINGS ON UNAMORTIZED BALANCE	$4,076,779	$4,076,779
L3 ANNUAL INVESTMENT RELATED COSTS	$13,963,106	$19,199,550
L4 ANNUAL OPERATOR EXPENSES	$20,700,000	$20,700,000
COSTS PER CALL (COSTS/DEMAND 305,710,413)		
L5 AMORTIZATION COST PER CALL	$0.0467	$0.0467
L6 EARNINGS ON UNAMORTIZED BALANCE COST PER CALL	$0.0133	$0.0133
L7 INVESTMENT RELATED COST PER CALL	$0.0457	$0.0628
L8 OPERATOR COST PER CALL	$0.0677	$0.0677
TOTAL COST PER CALL	$0.1734	$0.1905
MONTHLY COST PER EUCL (COST/ 15,173,074/12)		
L9 AMORTIZATION COST PER EUCL	$0.0783	$0.0783
L10 EARNINGS ON UNAMORTIZED BALANCE COST PER EUCL	$0.0224	$0.0224
L11 INVESTMENT RELATED COST PER EUCL	$0.0767	$0.1054
L12 OPERATOR COST PER EUCL	$0.1137	$0.1137
TOTAL MONTHLY COST PER EUCL	$0.2911	$0.3199

Attachment D

LEC BPP COST SUMMARY

Line	LEC	TOTAL COSTS: Non-Recurring	Recurring	OPERATOR COSTS (gross) Non-recurring: AABS + Operator Facilities	Recurring: Operator Salaries
1	Ameritech	48.8	14.1		14.1
2	Bell Atlantic	125.5	8.6	26.3	6.3
3	BellSouth	145.6	6.8	27.2	6.5
4	GTE	300.4	25.4	18.5	11.3
5	NYNEX	120.4	20.7	3.1	20.7
6	Pacific	144.4	26.1	41.8	21.8
7	SW Bell	160.9	9.0	3.9	9.0
8	US West	149.9	27.8	25.3	23.6
9	USTA (for independents)	320.0	17.5	32.6	17.5
10	United, SNET	121.2	18.8	NA	18.8
11	TOTAL	1637.1*	174.8*	178.7	149.6

* These numbers will change if the Commission uses a new dial around rate.

Line 1

It is expected that Ameritech's non-recurring costs of $48.8 million will be increased substantially to reflect OSS7 costs to the end office which should be associated with BPP implementation.

Line 4

GTE's non-recurring costs should be increased by $188 million to reflect the costs of OSS7 signalling to the end office. *See* GTE June 25, 1993 and July 2, 1993 *ex parte* filings.

Line 5

See Attachment C for explanation.

Line 9

It is expected that USTA's non-recurring costs of $197.8 million will increase substantially. USTA incorrectly calculated OSS7 to the end office by using access lines instead of end offices.

Line 10

NYNEX understands that USTA will be submitting revised cost data for independent LECs other than GTE, United, SNET and Cincinnati Bell. United is on record in this proceeding with $91.5M in non-recurring costs and $11.9M in recurring costs. SNET is on record with $29.7M in non-recurring costs and $6.9M in recurring costs. Cincinnati Bell has yet to go on record with any costs in this proceeding.

Summary

Total recurring costs must be grown for increases in labor contracts through 1997. In the NYNEX region, the wage increases are 4%, 4%, and 3.5% through 1997.

Using the Commission's assumption that the increased LEC operator costs will be offset by cost reductions to OSPs,[1] NYNEX multiplied the $149.6M in operators' salaries by 75% and then subtracted the resulting amount ($112.2M) from $174.8M to give a remainder of $62.6M per year for recurring LEC costs. Thus, the non-recurring LEC costs amount to $1637.1M, and adjusted recurring LEC costs amount to $62.6M.

If the non-recurring costs of $1637.1M are amortized using the Commission's 29% rate (FNPRM, n.43), the amortized non-recurring costs for BPP implementation is $474.8M. When added to the $62.6M recurring costs for LECs, the annual BPP implementation costs for LECs amounts to $537.4M.

This LEC figure of $537.4M should be added to the OSP cost of $35M per year to arrive at a total industry cost for BPP implementation of $572.4M per year.

7196M/98M

1 NYNEX does not agree with the Commission that AABS and operator facilities costs should be reduced by 50%. OSP costs will not decline.

Attachment E

THE COSTS OF BPP OUTWEIGH ITS BENEFITS

NYNEX's analysis of the Commission's cost/benefit study shows an entirely different picture of the effect BPP will have on the consumer per year. The following is a comparison of the two studies:

	Commission	NYNEX
OSP rate differential savings/year	$280M	$142.8M
Commission reduction savings/year	$340M	$92.6M
BPP implementation costs/year	$420M	$572.4M
Savings (Costs) to consumer/year	$200M	($337.0M)

Clearly, the costs of BPP outweigh its benefits. The Commission should therefore not mandate that BPP be implemented.

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FOR IMMEDIATE RELEASE: Sunday, June 5, 1994

SCHUMER, KOPPELL WARN OF "NO-NAME" PHONE RIP-OFFS

U. S. Rep. Charles E. Schumer (D-Bklyn and Queens) and Attorney General G. Oliver Koppell today warned New York consumers that they may be paying as much as seven times more than they should be for calling-card calls on many pay telephones.

At a Manhattan news conference, Schumer and Koppell said the overcharges occur at COCOT's, or customer-owned, coin-operated telephones, that are often found inside or in front of local retail stores, hotels and other places of business. In many cases, the two officials said, these "no-name" phones are hooked up to "alternative operator services" or marginal long distance companies that charge exorbitant rates, but consumers do not realize the difference until they see the inflated charges for calling-card calls on their phone bills.

Both Koppell and Schumer said they would take action to address the problem.

Attorney General Koppell stated:

"Across New York State, more than 40,000 'no-name' pay telephones, disguised to look like regular phones, are waiting to trap the unwary with their exorbitant rates and lousy service. Despite a chronic pattern of 'no-name' phone abuses, the Federal Communications Commission and the State Public Service Commission have dropped the ball and failed to protect the consumer."

Rep. Schumer stated:

"Unsuspecting consumers are being ripped off at pay phones all over New York because

(more)

the phones they're using contract with long distance carriers that charge outrageous fees. When you see a telephone that looks run down or that's not in a kiosk, it may be a COCOT and may cost a lot more than a standard operator-assisted call. For many of these phones, the slogan shouldn't be 'reach out and touch someone,' but rather, 'reach out and ripoff someone.'"

The news conference was held in front of a typical COCOT phone in front of a pizza parlor on Manhattan's Upper West Side. Mr. Koppell and Mr. Schumer compared the cost of calling-card calls from this phone with regular charges and found them to be four to five times as high. A two-minute call to Albuquerque costs $5.05, compared to $1.11 on MCI. A 12-minute call to St. Paul costs a whopping $11.05, while AT&T would charge $2.72. Within New York City, an eight-minute calling-card call to Brooklyn costs $2.89, compared to the 70¢ charged by NYNEX.

The officials said they had found a number of other typical abuses at this phone, such as incorrect information about the long distance carrier, resistance to disclosing in advance the cost of calls, and garbled and distorted sound quality.

Rep. Schumer announced that he would be introducing Federal legislation to cap interstate and intercontinental long distance telephone rates at the level of the dominant carrier (usually AT&T), unless the carrier can prove a need to impose a higher rate. Mr. Koppell said he would petition the State Public Service Commission to impose limits on the amounts COCOT's could charge and to tighten enforcement of existing rules.

The Congressman and the Attorney General said consumers should always determine whether the phone they are using is a COCOT, and avoid using calling cards or use the five-digit code 10xxx to specify the long distance carrier of their choice in order to avoid overcharges.

Today's announcement was the 14th in Attorney General Koppell's ongoing series of "Warnings of the Week."

- 30 -